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October 12, 1994

VIA MESSENGER

Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte Presentation
Puerto Rico Telephone Company
GEN Docket No. 90-314

Dear Mr. Caton:

Transmitted herewith and filed on behalf of Puerto Rico Telephone Company ("PRTC") is an original plus one copy of the presentation made on October 12, 1994 to Mr. Michael Wack, of the Common Carrier Bureau Mobile Services Division, in reference to the above-referenced proceeding. An abbreviated version of this presentation was made to Ms. Ruth Milkman, Senior Legal Advisor to Chairman Hundt, on the same date.

The presentation was made by Mr. Jorge Calzada, Director of the Corporate Strategy Department for PRTC, and Mr. Michael Marrero, Manager of the Wireless and Video Applications Division of that Department, assisted by Jeffrey Timmons of Irwin, Campbell & Crowe, P.C., counsel to PRTC in this matter.

In general, the presentation addressed the Petition For Reconsideration filed by PRTC on July 25, 1994 (the "PRTC Petition"), seeking reconsideration of the Memorandum Opinion and Order ("MO&O") in this docket, FCC 94-144, and related pleadings. In the MO&O, the Commission modified the service area definitions for broadband Personal Communications Services ("PCS") in Puerto Rico, to provide for two Basic Trading Area ("BTA") type service areas instead of one BTA, as originally adopted.

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More specifically, the ex parte presentation addressed the following points of consideration:

- One BTA for Puerto Rico, as originally adopted by the Commission on a neutral and impartial basis, would best serve the public interest. The smallest service areas proposed in the Notice of Proposed Rulemaking were for 487 BTAs plus Puerto Rico, and based on this record the Commission originally adopted a single BTA for Puerto Rico.
- Subsequently, in response to a petition for reconsideration filed by one interested party (which was 1 of about 65 petitions for reconsideration filed), the Commission amended the service areas for Puerto Rico to provide for two BTAs. As demonstrated in the PRTC Petition, this action was based on inaccurate and misleading information, and therefore the two BTAs do not reflect the service areas which will best serve the public interest.
- After this introduction (i.e., at the beginning of the ex parte presentation), Mr. Wack inquired why a party interested in serving the entire island could not meet this objective by bidding for and acquiring licenses in each BTA on a given frequency block. The remainder of the presentation (as well as the presentation to Ms. Waxman) was in response to this issue; PRTC demonstrated why the auction process alone would not resolve all the public interest concerns, especially for Puerto Rico.
- First, PRTC demonstrated how in a series of three auctions (i.e., the A and B blocks will be auctioned first, followed by the C and F blocks, followed by the D and E blocks), bidding strategies may adversely affect PRTC and other interested bidders. For example, although at least one party appears interested in one or more of the four licenses (60 MHz of spectrum) in the newly-created Mayaguez/Aguadilla-Ponce BTA, there may be no other parties interested in the remaining licenses for that BTA (since the entire island cannot be served).
- Also, parties such as PRTC that may be limited to bidding for the D and E block licensees may be pitted against large, deep-pocketed winners of the adjacent A and B block licenses, who may now be interested in supplementing their 30 MHz MTA licenses with a 10 MHz D or E block license solely for the more densely populated San Juan BTA (since they would not have to serve the entire island with the 10 MHz license). In essence, PRTC asked the Commission to consider the affect of a two BTA scheme on island-wide service (i.e., a single BTA would allow economies of scale and geographic rate averaging that would encourage

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efficient, low-cost service to all areas of the island; a single BTA would also eliminate technical considerations such as PCS-to-PCS interference in the BTA boundary areas, roaming arrangements, and microwave relocation coordination).

- Second, and in response to references by the Commission to PCS being a cellular-like service, PRTC explained the other applications being considered for the PCS spectrum. For example, since the penetration rate for local exchange service is only about 65% for Puerto Rico, PRTC is considering a wireless local loop application on PCS frequencies to bring universal service throughout the island. However, this public interest goal may be precluded, on an economic basis, by the bidding strategies discussed above.

If you should have any questions regarding this ex parte presentation, please contact the undersigned.

Very truly yours,



Jeffrey L. Timmons

Counsel for
Puerto Rico Telephone Company

Attachment

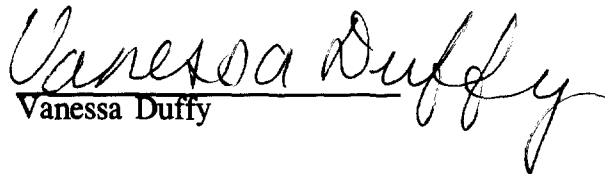
cc: Michael Wack
Ruth Milkman
Attached service list.

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CERTIFICATE OF SERVICE

I, Vanessa Duffy, hereby certify that on this 12th day of October, 1994, copies of the foregoing "EX PARTE PRESENTATION" have been served by first class United States mail, postage prepaid, upon the following:

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